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Media Release

Westpac MNI China Consumer Sentiment Indicator Bounces Back in September

Employment outlook improves amid better expectations for personal finances

Consumer confidence in China regained some ground in September, buoyed by an improvement in consumers' expectations about their future personal finances.

The Westpac MNI China Consumer Sentiment Indicator rose 3.3% to 115.2 in September from 111.5 in August, reaching its highest level since June. All sub-categories that make up the headline indicator improved between August and September, with the largest upgrades seen for Expected Personal Finances and Business Conditions in One Year.

Households' current financial position improved somewhat in September, with another positive reading in the Investment Return Indicator possibly playing a part. Although expectations for future personal finances did not fully recover from August's plunge, there was a significant rebound in September – a tentative sign that households' balance-sheets may be on the road to recovery.

Both long and short term measures of expected business conditions made solid gains in September, matching an increase in perceived current business conditions. Out of those who thought business conditions over the year would improve, 32.1% cited supportive government policy as the main reason for optimism.

The Durable Buying Conditions Indicator, which measures the willingness of consumers to buy a large household item, rose for the second consecutive month, but the degree of improvement lagged behind other indicators in September.

Meanwhile, the improved outlook for household finances and business conditions was supported by an improvement in consumers' expectations for the labour market. The Employment Outlook Indicator increased for the first time in four months, rebounding 8% to 99.5 in September.

In spite of the numerous measures implemented to tackle widespread real estate market imbalances,

consumers' attitudes towards housing showed further signs of improvement, with house price expectations rising over the month and house buying sentiment increasing to be back near the 100 'neutral' level. This was accompanied by a rise in the proportion of respondents citing house purchase or down payment as the main reason for saving.

Commenting on the latest survey, Senior Economist of MNI Indicators Andy Wu said, "The September data is encouraging and shows sentiment has not moved on to a clearly negative trend. More significantly, our survey results hint at some resilience in sentiment which might suggest spending may not be quite as weak as feared. While the latest uptick in confidence is a source for optimism, we caution against placing too much emphasis on one month's result."

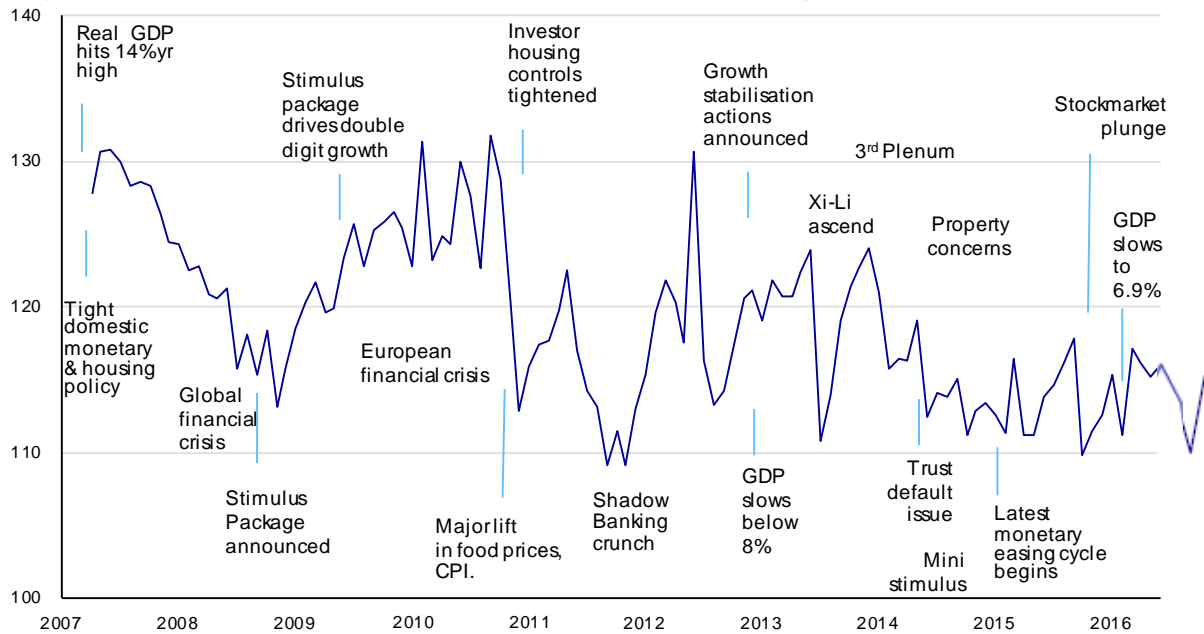
Westpac Senior Economist Matthew Hassan said, "The rebound in confidence is clearly a welcome development, particularly after the sharp slide over the previous three months. Some of this weakness has been due to severe weather events. However, even with a recovery sentiment is still at a low level overall and yet to establish a convincing recovery. The September rise is a step in the right direction and the improvement in labour market expectations is an important positive but much of the detail, around spending and saving behaviour in particular, points to more lacklustre growth for consumer sectors near term."

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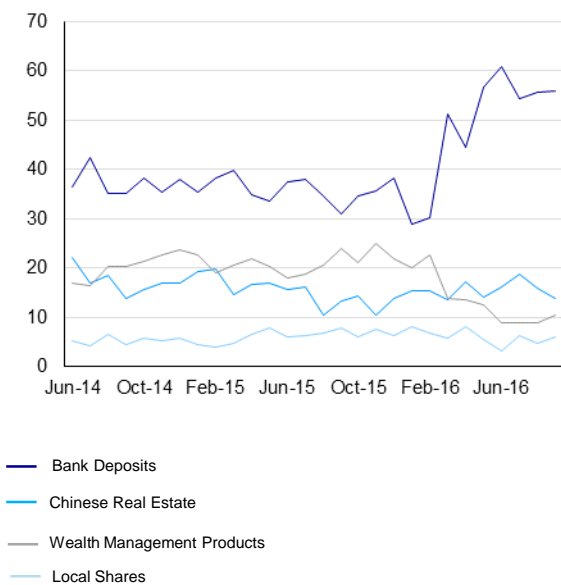
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Westpac MNI China Consumer Sentiment Indicator - Event Map



Focus On: Savings

Wisest Place for Savings



Each month we ask respondents where they believe the wisest place to put their savings is.

One of the key themes we can draw is that consumers are less likely to place their money in the housing market. In July, 18.7% of respondents said that the domestic real estate market was the wisest place for savings, but this fell to just 13.9% in September as China's property market appears to have overheated in some of the major Chinese cities. Meanwhile, bank deposits remain favoured by the largest portion of survey participants with 55.9% of respondents indicating that they believe bank deposits to be the wisest place to keep their savings, up slightly from 55.6% in August.

Westpac MNI China CSI and its five components

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sept-16
Westpac MNI China CSI	117.8	114.2	115.9	114.0	111.5	115.2
Personal Finances: Current	110.3	104.3	107.7	105.2	104.1	105.4
Personal Finances: Expected	116.1	112.8	116.0	113.8	106.0	113.6
Business Conditions: 1 Year	119.3	115.7	118.4	117.5	112.8	118.2
Business Conditions: 5 Years	134.8	134.1	132.0	131.3	130.2	133.6
Durable Buying Conditions	108.6	104.0	105.4	102.3	104.4	105.1

% m/m changes Westpac MNI China CSI and its five components

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sept-16
Westpac MNI China CSI	-0.3%	-3.1%	1.5%	-1.6%	-2.2%	3.3%
Personal Finances: Current	1.1%	-5.5%	3.3%	-2.3%	-1.1%	1.3%
Personal Finances: Expected	-1.8%	-2.8%	2.8%	-1.9%	-6.8%	7.1%
Business Conditions: 1 Year	-2.9%	-3.0%	2.3%	-0.7%	-4.0%	4.9%
Business Conditions: 5 Years	2.3%	-0.5%	-1.6%	-0.5%	-0.9%	2.6%
Durable Buying Conditions	-0.1%	-4.2%	1.4%	-2.9%	2.1%	0.7%

% y/y changes Westpac MNI China CSI and its five components

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sept-16
Westpac MNI China CSI	6.1%	2.8%	3.2%	-0.4%	-4.3%	-2.6%
Personal Finances: Current	9.6%	4.2%	6.7%	1.6%	-2.6%	-4.0%
Personal Finances: Expected	4.2%	0.3%	1.4%	-3.0%	-13.4%	-5.5%
Business Conditions: 1 Year	6.1%	4.7%	5.3%	2.3%	-3.7%	-1.9%
Business Conditions: 5 Years	3.1%	3.4%	-0.6%	-1.6%	-2.3%	-1.8%
Durable Buying Conditions	8.5%	1.3%	4.5%	-1.0%	1.5%	0.5%

Notes to editors:

Sponsor: Westpac Banking Corporation.

Production: MNI Indicators.

Date range: Monthly since April 2007.

Collection method: Computer aided telephone interviews.

Collection period: Ten working days from the first business day of the month in the People's Republic of China.

Sample size and geographic area: Minimum of 1,000 respondents aged between 18 and 64 across 30 cities in the 1st, 2nd and 3rd tiers. That represents a 0.0003% sample size relative to the population of China's 30 largest cities at the time of the 2010 Census.

Cf. The University of Michigan surveys a minimum of 500 respondents in the United States excluding Alaska and Hawaii. That represents a 0.00016% sample size relative to the July 1, 2012 population.

Sampling error: 3.5% for the "All China" series.

Cf. The University of Michigan survey reports a sampling error of 5% at the national level.

Disaggregation: By age, by gender, by income, by region, sub-region and by tier 1 city.

Calculation method: Each individual question is a diffusion index where 100 represents a neutral position, i.e. optimists and pessimists are equal in number. The headline and other composite indicators are weighted measures comprised of the individual diffusion indices.

Seasonal adjustment: The raw data has been analysed for identifiable seasonality using Census X-13. No identifiable seasonal pattern was present. Headline indicator: the Westpac MNI China CSI is an equally weighted composite of two current and three forward looking assessments, namely current and future personal finances; overall business conditions one and five years ahead; and buying conditions for major household items.

Sub-indicators: these cover consumer perceptions and/or intentions regarding employment conditions, the real estate and equity markets, autos, inflation, gasoline prices and interest rates.

Other available information: household expenditure breakdown, detailed reasoning behind responses, profit and loss on stock investments, and more.

About MNI Indicators

MNI Indicators specialises in producing business and consumer surveys designed to present an advance picture of the economic landscape and highlight changing trends in business and consumer activity. The timely reports explore attitudes, perspectives and sentiment across the globe, including China, India and Russia. Alongside MNI Indicators' core focus on consumer and business surveys in emerging markets, MNI Indicators produces the renowned Chicago Business Barometer (Chicago PMI), a key leading indicator of the US economy. MNI Indicators is part of MNI, a leading provider of news and intelligence.

About Westpac in Asia

With its regional Head Office in Singapore, Westpac is a leading institutional bank providing strong capability and global franchise across Trade, Structured Commodity Finance, Debt Capital Markets, Derivatives FX and Natural Resources. The Bank's goal in Asia is to both support Australian and New Zealand customers in the region, as well as provide a gateway for Asian firms and individuals with interests in Australia and New Zealand.

Westpac has been operating in Asia for 40 years delivering a broad range of financial services to individuals, corporate and institutional customers with branches in Singapore, Shanghai, Beijing, Hong Kong, Mumbai as well as a representative office in Jakarta and a sub-branch in the Shanghai Free Trade Zone.